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IN THE SUPERIOR COURT FOR THE STATE OF CALIFORNIA

IN AND FOR THE COUNTY OF SANTA CLARA

SAN JOSE POLICE OFFICERS' ASSOCIATION, Plaintiff, v. CITY OF SAN JOSE AND BOARD OF ADMINISTRATION FOR THE POLICE AND FIRE DEPARTMENT RETIREMENT PLAN OF CITY OF SAN JOSE, and DOES 1-10 inclusive, Defendants.	Case No. 1-12-CV-225926 (and Consolidated Actions 1-12-CV-225928, 1-12-CV-226570, 1-12-CV-226574, and 1-12-CV-227864) **DECLARATION OF JOHN MCBRIDE IN OPPOSITION TO MOTIONS IN LIMINE OF DEFENDANT CITY OF SAN JOSE** **Pre Trial Date: July 12, 2013** **Time: 9:00 a.m.** **Dept: 2** **Judge: Hon. Patricia M. Lucas**
AND RELATED CROSS-COMPLAINT AND CONSOLIDATED ACTIONS.	**Trial Date: July 22, 2013**

I, John McBride, say:

1. I am one of the attorneys for Plaintiff's herein.

2. Attached hereto is Plaintiff's proposed **Exhibit 24**, a report of Susan Devencenzi, Deputy City Attorney to the Aboard of Administration of the Police and Fire Department Retirement Plan.

I declare under penalty of perjury that the foregoing is true and correct. Executed on July 8, 2013, at San Jose, California.

John McBride

I:\0230\72256\pnd\motions in limine\decl. of mcbride in opposition to mtn in limine of defendant city of san jose 070813.docx

Exhibit 24

BOARD AGENDA 1-15-98

ITEM # 4a

CITY OF SAN JOSÉ - MEMORANDUM

TO:	BOARD OF ADMINISTRATION POLICE AND FIRE DEPARTMENT RETIREMENT PLAN	FROM:	SUSAN DEVENCENZI Sr. Deputy City Attorney
SUBJECT:	**Allocation of Actuarial Gains and Losses**	DATE:	December 29, 1997

BACKGROUND

The Board of Administration has requested information on the allocation of actuarial gains in the calculation of contribution rates of the City and the members of the Police and Fire Department Retirement Plan. This memorandum is in response to the Board's request.

DISCUSSION

In order to fully understand the allocation of actuarial gains, it may be helpful to have background information on actuarial valuations generally, how contribution rates historically have been calculated in the Police and Fire Plan, and how actuarial gains and losses have been allocated between members of the Plan and the City. This memorandum discusses these considerations and provides an analysis of the Board's authority in setting the contribution rates.

A. Actuarial Valuations

An actuarial valuation of a defined benefit plan incorporates (1) actuarial assumptions (e.g., mortality rates, retirement rates, pay increases, investment yields) which estimate the total costs of providing the benefits in the plan, and (2) an actuarial method which allocates the costs among years. The actuarial valuation produces two numbers: a current service cost and an actuarial accrued liability. These numbers are used to determine contribution rates.

1. Plan Costs

Because actuarial valuations recognize prior experience of the plan, each valuation differs from previous valuations by reflecting updated experience. The plan experience is recognized in two ways. First, because the data used in the valuation reflects prior experience such as number of deaths, pay increases and investment yields, the valuation automatically uses the new experience and adjusts for it. If the experience has been favorable (e.g., higher than assumed investment yields), contribution rates decrease. If the experience has not been favorable (e.g., higher than expected disability retirements), contribution rates increase.

Second, if the new experience deviates significantly from the previous actuarial assumptions, the actuary may recommend revised assumptions. The revised assumptions may produce higher or lower contribution rates depending on which assumptions are changed and the nature of the change. For example, increasing the investment yield assumption would lower contribution rates because it would be assumed that a larger portion of the costs would be funded by investment yields; increasing the salary increase assumption would raise contribution rates because higher salaries would result in higher benefits that would need to be funded.

Thus, each actuarial valuation estimates the retirement system costs. By incorporating new information, subsequent valuations attempt to provide improved estimates of the total costs. Based on these estimates of costs, it may become necessary from time to time to adjust contribution rates in order to fund the benefits on an actuarially sound basis.

2. <u>Actuarial Method</u>

Contribution rates are also affected by the actuarial method used. The actuarial method allocates the estimated total costs among years and determines how much of the total estimated cost is to be contributed in each year. Some actuarial methods attribute higher costs to earlier years; these methods tend to produce high initial contribution rates with rates declining over time and eventually leveling off. Other methods spread costs more evenly over time and produce contribution rates that are expected to be relatively stable over the life of the plan.

In practice, the contribution rates will change to reflect the actual experience of the plan at each actuarial valuation, regardless of the actuarial method used. The actuarial method tends to determine the volatility of the changes.

B. Police and Fire Plan Provisions

1. 1961 Plan Prior to 1979

During the time the 1961 Police and Fire Department Retirement Plan was being developed and implemented, the City Charter authorized the City Council, by ordinance, to establish retirement plans for eligible members of the Police and Fire Department. The Charter required that each such plan be actuarially sound and that provisions be made for the payment of monthly contributions into the retirement fund by both members of the plan and the City. With respect to the allocation of contributions between the City and the members of the plan, the Charter provided:

> The amount of monthly contribution required of members, as compared to monthly contributions required of the City, shall at all times be in the ratio of three to eight provided and excepting, however, that if provision should be made for the payment of any benefits on account of service rendered by members prior to the effective date of the ordinance which provides such prior service benefits, then in that event, the Council, subject to the provisions of [the Charter which require certain minimum benefits], may in its discretion provide for the payment by the City of San Jose of all of such amounts as must be contributed to the retirement fund on account of such prior service benefits to render the plan and fund actuarially sound to the extent that such amounts are not provided by members' accumulated prior service contributions, or may require contributions for such purpose by both City and members provided that contributions required of members for such purpose shall never exceed $3 for each $8 contributed for such purpose by the City. [1]

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[1] San José City Charter Section 78a of Article X as amended by the voters at an election held April 12, 1960.

Under this Charter provision, if there were an increase in benefits, the prior service costs of those benefits could be completely absorbed by the City or could be allocated between plan members and the City.

As the 1961 Plan was originally enacted, if any person who was a member of the previous plan (the "1946 Plan") elected to become a member of the 1961 Plan, all contributions made by that person prior to membership in the 1961 Plan, and by the City on that person's behalf, were required to be credited to the 1961 Plan. In addition, the City contributed the additional amounts needed to fund the benefits payable because of service in the 1946 Plan. All other contributions needed to keep the fund actuarially sound were split between the members and the City on a 3:8 basis. To the best we have been able to ascertain, the original rates were set at 14.25% of payroll for current service (split at 3.88% for members and 10.37% for the City) and 4.9% of payroll to fund the benefits payable because of 1946 Plan membership.

Under this funding mechanism, known as the aggregate cost method, the members' and the City's contribution rates were adjusted at each actuarial valuation. However, if contribution rates set by a prior valuation were inadequate to fund benefits, whether because of actuarial experience or because of increased benefits, the deficit was added to both the members' and the City's rates in the 3:8 ratio. In other words, except for costs associated with service in the 1946 Plan, the actuarial accrued liability was set at zero. Any deficit in contributions relating to benefits attributable to service rendered after February 1, 1962 (the effective date of the 1961 Plan) was included in the calculation of "current service". Similarly, if experience was favorable, that would be reflected in lower current service rates for both the City and the members and possibly a lower prior service contribution rate for the City.

A number of events occurred after the adoption of the 1961 Plan which led to an alteration in the way contribution rates were allocated between members and the City. First, in 1965, the voters adopted a new City Charter. Section 1504(b) provided that contributions "for or because of current service or current service benefits" for eligible members of the Police and Fire Departments could not exceed a ratio of 3 for members to 8 for the City. The new language specifically excluded contributions required for prior service or prior service benefits from the 3:8 requirement and left the funding mechanism for prior service to be determined by ordinance of the City Council.

In addition, between 1962 and 1970, the calculation of final compensation was changed from the highest 36 months to the highest 12 months of service and significant benefit enhancements were made in such areas as survivors' benefits and cost-of-living adjustments. By the 1970 actuarial valuation, current service rates had increased in 17.88% (split 4.88% of payroll for members and 13.00% of payroll for the City). Of the 17.88% of payroll for current service contributions, 3.03% of payroll was attributable to deficits in prior current service contribution rates. [2] The information available does not specify to what extent the deficit was attributable to the increased benefits as opposed to changes in other assumptions.

In the 1970 actuarial valuation, the actuaries recommended that the actuarial method of the Plan be changed so that "current service" contributions would be determined as the rate of contributions required of new entrants to the Plan (i.e., new members since the last valuation). If this method were implemented, current service rates would be calculated as a "balancing item". [3] The resulting change in rates would be current service at 14.85% of payroll (split 4.05% of payroll for members and 10.80% of payroll for the City) and a prior service rate of 7.09% of payroll to be paid entirely by the City. It was expected that the change in actuarial method would reduce the volatility of future changes in the rates.

In June of 1971, the City Council approved a memorandum of understanding with Fire Fighters Local 873 (now Local 230). The MOU included a provision for an amendment of the 1961 Plan to provide, with respect to Fire Department members, that "when, from time to time, the Retirement Board changes or amends the rates of contribution required to be paid by City and by members

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2 City Council Resolution No. 40059, adopted July 12, 1971, citing contribution rates from the actuarial report dated May 11, 1971. The resolution did not explain how the determination of 3.03% was derived, and a copy of the 1971 report is no longer available.

3 Council Resolution No. 40059, quoting from the actuarial report dated May 11, 1971.

for current service, the new rates thereby established by the Board . . . shall not include any amount required to make up any deficit resulting from the fact that previous rates of contribution thereto made by the City and by such members are inadequate to fund costs attributable to service rendered by such members prior to the date of said amendment or change of rates for which service said members were entitled as of the date of such change or amendment, to receive credit under said Plan. . . ."[4] At the same time, the Council declared its intent to amend the Plan as outlined in the MOU and agreed to pick up that portion of the Fire members' current service contributions as would have been paid by the City had the amendment already been made. The Council would continue to make contributions for non-Fire members as calculated by the aggregate cost method. The resulting relative contributions effective July 1, 1971, expressed as a percent of payroll, were:

For Fire Fighters	Member	City
Current Service	4.05%	10.80%
Prior Service	ø	7.09%
Total	4.05%	17.89%

For non-Fire Fighters	Member	City
Current Service	4.88%	13.00%
Prior Service	ø	4.24%
Total	4.88%	17.24%

On July 26, 1971, the Council adopted Resolution No. 40129 declaring its intent to amend the 1961 Plan as described in the MOU with the Fire Fighters for all members of the Plan. The Council then picked up the same portion of the current service contributions for all members effective August 1, 1971, so the relative contributions for all members of the Plan were as listed for Fire Fighters above.

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4 Council Resolution No. 40059, quoting from the Memorandum of Understanding for Joint Submission to the Council of the City of San Jose Regarding the San Jose fire Fighters Local 873 (Unit), Section 5.00.

2. 1961 Plan Beginning in 1979

In 1977, the Board retained the Wyatt Company to evaluate the Plan's costs independently of the valuations previously performed by other actuaries. The Wyatt Company concurred with the Board's regular actuary that the cost-of-living adjustments were inadequately funded, the salary increase assumption was too low, and service disability rates were higher than previously assumed.

Wyatt also recommended an increase in the interest earnings assumption and a change in the actuarial method to one which would provide more stable contribution rates.[5]

In 1979, the City Council adopted Ordinance No.. 19690 amending the Municipal Code to change the actuarial method to the new entrant method. Under this method, contributions for current service were defined as:

> [A] rate of contribution which is needed to provide the benefits payable under this plan to a new entrant. Rates for current service shall not include any amount required to make up any deficit resulting from the fact that previous rates of contribution made by the City and members were inadequate to fund benefits attributable to service rendered by such members prior to the date of any change of rates.

Ordinance No. 19690 retained the 3:8 ratio between members and the City for the current service contribution split. But, significantly, it changed the way the accrued actuarial liability was to be determined and it shifted contributions for the unfunded accrued liability entirely to the City. Beginning in 1979, prior service costs were no longer included in "current service" contributions and were no longer divided between the members and the City. Instead, the City was to contribute amounts needed

5 "Report of Actuarial Valuation as of July 1, 1977", dated April 10, 1978, prepared by The Wyatt Company. Wyatt noted that the contribution rates paid based on the 1974 valuation were 6.59% of payroll by members and 23.28% of payroll by the City for a total of 29.87%. Using the 1974 cost-of-living adjustment methodology, salary scale and interest assumptions would have resulted in a total increase in rates to 38.08%; if the Wyatt recommendations were adopted with respect to changing the COLA methodology, revising the salary assumption, and revising the interest earnings assumption, the new total rate would have been 53.59% of payroll.

"to make [the] plan actuarially sound to the extent that such amounts are not provided by member and City's current service contributions."

In 1990, based upon the recommendation of the actuary and the Retirement Board, the Plan was again amended to change the actuarial method.[6] the change was from the "new entrant" method to the "entry age normal" method. Under the entry age normal method, "contributions for current service" are defined as "the sum of the normal costs for each actively employed member as determined under the entry age normal actuarial cost method, divided by the aggregate current compensation of such members." The entry age normal cost method looks at the value of each member's future benefits determined as of the date of the member's employment, as opposed to the new entrant method which looks only at the members who entered the plan since the last actuarial valuation.[7] The entry age normal method more accurately reflects the workforce than does the new entrant method and tends to produce less volatility in contribution rates because it spreads the costs as a level percentage over each employee's period of employment.

The 1990 amendment retained the 3:8 split for current service contributions and retained the provision that the City would contribute such amounts as are needed to make the fund actuarially sound to the extent the amounts are not provided by the current service contributions.

C. <u>Application of Actuarial Methods to Contribution Rate Calculations</u>

Under both the new entrant method adopted in 1979 and the entry age normal method adopted in 1990, the members and the City share the current service (or "normal") cost. This is the "annual contribution rate which, if paid annually from a member's first year of membership through the year of retirement, would accumulated to the amount necessary to

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6 The meet and confer process between the City and the affected employee organizations on the issue of changing the actuarial method was completed in March 1990. Ordinance No. 23432 was approved by the Council in April 1990, to implement the change.

7 See, San José Municipal Code Section 3.36.1520.

fully fund the member's retirement-related benefits. [8] Under the Plan provisions, this rate is split between the members and the City in the ratio of 3 to 8.

As each of these methods was implemented, the City is required to contribute all amounts necessary to make the Plan actuarially sound to the extent the necessary amounts are not provided by the current service contributions. [9] These amounts are included in the City's contribution to the unfunded actuarial accrued liability, i.e., the "annual contribution rate which, if paid annually over the UAAL amortization period, would accumulate to the amount necessary to fully fund the UAAL." [10] A good explanation of the UAAL is provided in the 1995 Valuation Report:

> The UAAL arises from prior contributions that were less than the current Normal Cost. This usually results from benefits and assumption changes and the net effect of prior gains and losses. If the city had always contributed the current Normal Cost, if there were no prior benefit or assumption changes and if actuarial experience exactly matched the actuarial assumptions, the Normal Cost would be sufficient to fund all benefits and there would be no UAAL. [11]

To determine the UAAL, and thus the City's contribution rate necessary to put the retirement fund in actuarial balance, the actuary subtracts the actuarial value of the Plan assets from the actuarial accrued liability. [12] If the actuarial value of the assets is less than the actuarial accrued liability, there is an unfunded liability for which the City is required to make contributions.

However, if the actuarial value of the assets exceeds the actuarial accrued liability, the UAAL, and thus the City's contribution rate for the UAAL, is a negative number. This doesn't mean the Plan has too much money. Rather, it means that the UAAL is being paid off faster than the amortization period anticipated. The City was paying the amount the

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8 "City of San Jose Police and Fire Department Plan Actuarial Valuation Report As of June 30, 1995", dated October 1995 (the "1995 Valuation Report"), at p. 28.

9 Current Municipal Code Section 3.36.1550 D; prior Code Section 2903.279.

10 1995 Valuation Report, at p. 28.

11 1995 Valuation Report, at p. 42.

12 1995 Valuation Report, at p. 66.

actuary recommended based on the information available at the time the rates were set, but favorable Plan experience resulted in actuarial gains. In retrospect, the favorable experience made the UAAL contributions redundant. Had the revised assumptions been available to set the original UAAL rate, the rate would have been lower. Consequently, the adjustment in the City's contribution rate is made so that the total amount contributed over the amortization period is in actuarial balance.

Since 1979, the actuaries have consistently applied these actuarial methods to calculate the contribution rates necessary to maintain the fund on an actuarially sound basis as required by the City Charter and the specific provisions of the Plan. The Board has consistently adopted contribution rates which allocated the gains and losses in the manner identified in the actuaries' reports, and the members and the City have consistently paid contributions into the fund based on those allocation and the contribution rates adopted by the Board.

The contribution rates recommended by the actuaries since 1979 are set out below. These rates do not include the contributions for medical or dental coverage because those contribution rates are calculated on a rolling ten-year basis rather than on the new entrant or entry age basis. Also, there is no report for 1981 because the Board did not adopt the two-year schedule until 1983.

1979 Actuarial Report [13]

	City	Member	Total
Basic Current Service	18.70%	7.02%	25.75%
Basic UAAL	6.68	ø	6.68
COLA	10.83	4.05	14.88
Total	36.21%	11.07%	47.28%

13 The 1979 Actuarial Report recommended rates of 35.53% of payroll for the City and 10.81% of payroll for members, but in a supplemental report the actuary provided a phased-in rate schedule of 28.82% for the City and 8.25% for members through September 1980, 31.60% for the City and 9.08% for members through September 1981, and 36.21% for the City and 11.07% for members thereafter. The numbers in this table are an extrapolation of the data in the actuary's report to estimate the breakdown between current service costs and UAAL at the end of the phase-in period. At the time of the 1979 valuation, cost-of-living contribution rates were calculated on a rolling 10-year basis with costs shared in a 3:8 ratio except for a small (0.04% of payroll) amount absorbed by the City for a previously granted permanent cost-of-living increase.

1983 Actuarial Report

	City	Member	Total
Basic Current Service	16.34%	6.13%	22.47%
Basic UAAL	0.31	ø	0.31
COLA Current Service	6.07	2.27	8.34
COLA UAAL	2.87	ø	2.87
Total	25.59%	8.40%	33.99%

1985 Actuarial Report

	City	Member	Total
Basic Current Service	16.62%	6.23%	22.85%
Basic UAAL	0.44	ø	0.44
COLA Current Service	6.22	2.33	8.55
COLA UAAL	3.18	ø	3.18
Total	26.46%	8.56%	35.02%

1987 Actuarial Report

	City	Member	Total
Basic Current Service	15.11%	5.67%	20.78%
Basic UAAL	(0.31)	ø	(0.31)
COLA Current Service	6.04	2.26	8.30
COLA UAAL	3.60	ø	3.60
Total	24.44%	7.93%	32.37%

1989 Actuarial Report

	City	Member	Total
Basic Current Service	14.57%	5.47%	20.04%
Basic UAAL	(2.68)	ø	(2.68)
COLA Current Service	5.37	2.01	7.38
COLA UAAL	2.54	ø	2.54
Total	19.80%	7.48%	27.28%

1991 Actuarial Report

	City	Member	Total
Basic Current Service	14.77%	5.54%	20.31%
Basic UAAL	(3.47)	ø	(3.47)
COLA Current Service	5.41	2.03	7.44
COLA UAAL	2.12	ø	2.12
Total	18.83%	7.57%	26.40%

1993 Actuarial Report

	City	Member	Total
Basic Current Service	14.49%	5.43%	19.92%
Basic UAAL	(2.80)	ø	(2.80)
COLA Current Service	5.49	2.06	7.55
COLA UAAL	2.89	ø	2.89
Total	20.07%	7.49%	27.56%

1995 Actuarial Report [14]

	City	Member	Total
Basic Current Service	15.63%	5.86%	21.49%
Basic UAAL	(2.72)	ø	(2.72)
COLA Current Service	5.72	2.15	7.87
COLA UAAL	1.29	ø	1.29
Total	19.92%	8.01%	27.93%

As can be seen from the chart, a negative UAAL on the pension contributions first appeared in the 1987 valuation. According to the actuary who prepared the report, if the same actuarial assumptions were used in both 1985 and 1987, the basic current service cost would increase significantly because at that time the plan used the new entrant method and the average age of new entrants had increased by a year. Consequently, the number of years to fund the benefits decreased causing a corresponding increase in the required current service contributions. The increase in current service costs, coupled with investment gains, resulted in a significant decrease in the UAAL.[15] The final recommended rates in the 1987 report were based on revised assumptions which were adopted by the Board and on the actuary's recommendation that the actuarial method be changed to the entry age normal method. Both of these considerations reduced current service costs, but they did not increase the UAAL to a positive number.

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14 The breakdown for the City contribution rates listed here is the breakdown in the report dated October 1995. In a supplemental report, the actuary provided revised numbers for the changes in rates attributable to certain revised assumptions and attributable to an interest adjustment and adjustments to the normal cost and the UAAL. The supplemental report did not break out the components to show normal cost and UAAL contributions separately. However, the total contribution rates of the members and the City were the same in both reports.

15 "San Jose Police and Fire Department Retirement Plan Experience Review for July 1, 1981 to July 1, 1987", dated December 24, 1987.

D. **Board's Authority Regarding Contribution Rates**

Under the applicable provisions of the San José Municipal Code, the Board of Administration has the responsibility to manage and administer the retirement system that is established by ordinance of the City Council. The terms and provisions of the current retirement system (the 1961 Plan) are set out in Chapter 3.36 of the Municipal Code. The provisions of the 1946 Plan can be found in what is now Chapter 3.32 of the Municipal Code.

At least since the adoption of the 1946 Plan, the Board has had the duty and responsibility to have an actuarial investigation and valuation performed not less often than every five years. Based on the results of the actuarial investigation and valuation, the Board has been charged with the duty to adopt the necessary actuarial assumptions and to adopt, and from time to time revise, contribution rates for the members and the City *as required to make the Plan actuarially sound.* [16] While the Board may receive comments or suggestions from participants, employee organizations, the City Administration, the City Council, or other interested parties, none of these groups has the authority to set the contribution rates.

In addition, the Board has the authority to select the actuary and to enter into agreements for actuarial services. [17] Again, the Board may receive comments or suggestions, but the final decision on which actuary to retain rests with the Board.

However, the Board does not have the authority to change the Plan. Because the Plan is set out in ordinances adopted by the City Council, changes in the Plan must also be made by ordinances of the Council. The actuarial method is set out in the Plan as part of the Municipal Code provisions. Therefore, a change in the actuarial method would require an amendment to the Code.

Both the new entrant method and the entry age normal method calculate current service (or "normal") costs and then calculate the actuarial accrued liability as the amount required to keep the fund actuarially sound. Since 1979, the Municipal Code has provided that the

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16 Current Municipal Code Sections 3.36.400, 3.36.410; prior Code Sections 2903.28, 2903.105, 2903.106. (Emphasis added.)

17 Municipal Code Section 3.36.385.

contributions necessary to fund the actuarial accrued liability have been allocated entirely to the City. Any changes in the allocation of contributions to fund the UAAL would also require that the City Council adopt an ordinance to amend the Municipal Code. [18]

If the Board wishes to change either the actuarial method or the allocation of costs between the City and the members, it would be appropriate for the Board to make such a recommendation to the City Council.

E. Meet and Confer Requirements

The Meyers-Milias-Brown Act (California Government Code Section 3500 *et seq,*) requires that the City meet and confer in good faith with representatives of the employee organizations prior to making changes in wages, hours or other terms and conditions of employment. A public employee's pension has long been held as constituting an element of compensation. (See, e.g., *International Association of Firefighters v. City of San Diego* (1983) 34 Cal.3d 292.)

A change in either the actuarial method or the allocation of contributions to fund the UAAL would require an amendment to the provisions of the Plan as set out in the Municipal Code. Such a change would affect the contribution rates that would be made by active members of the Plan and would require that the City and the employee organizations meet and confer about the changes. [19]

CONCLUSION

Under the terms of the Police and Fire Department Retirement Plan, contributions for current service are allocated between the Plan members and the City in the ratio of 3:8. Changes in actuarial assumptions, changes in benefits, and other actuarial gains and losses may affect the current service costs, but regardless of whether those costs increase or decrease, the Municipal Code requires the costs be shared in the 3 to 8 ratio. The Municipal Code also requires that, to the extent that such amounts are not provided by

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18 It should be noted, however, that a change in the allocation of costs for current service that would result in a ratio higher than 3:8 would also require a Charter amendment.

19 There is precedence for the meet and confer requirement. Both the change made in 1979 (change to new entrant method and allocation of UAAL entirely to the City) and the change made in 1990 (change to entry age normal method) went through the meet and confer process before the change was made.

current service contributions, the City must contribute the amounts necessary to keep the retirement fund actuarially sound. In the actuarial method employed by the Retirement System, the contributions necessary to fund the UAAL are calculated to keep the retirement fund in actuarial balance. Under this method and the selected amortization period, the UAAL may be either a positive or a negative number. Regardless, the contributions to fund the UAAL are allocated entirely to the City.

If the Board wishes to change the actuarial method or the allocation of contribution rates between the members and the City, it would be appropriate for the Board to make such a recommendation to the City Council for the matter to be referred to the meet and confer process.

Susan Devencenzi

SUSAN DEVENCENZI
Senior Deputy City Attorney

cc: Edward F. Overton